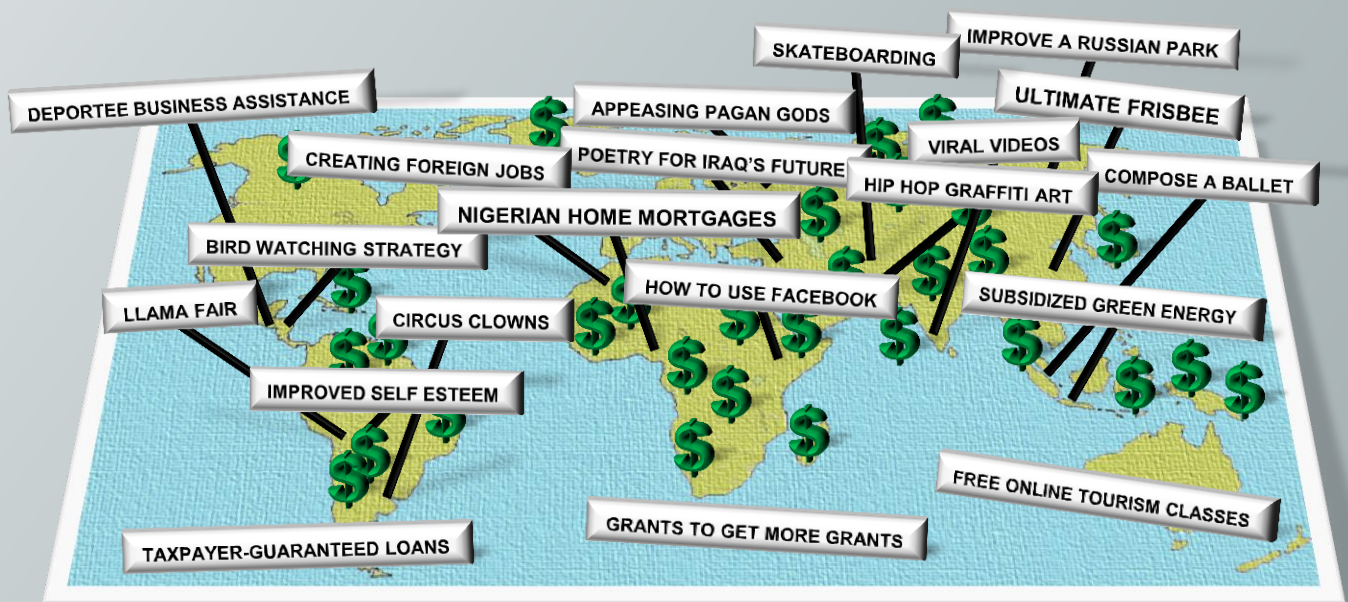


WORLDWIDE WASTE

HOW THE GOVERNMENT IS USING AND LOSING YOUR MONEY ABROAD

PART IV: FOREIGN INFRASTRUCTURE



An Oversight Report Series by
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Chairman, Subcommittee on Federal Spending Oversight
Committee on Homeland Security and Governmental Affairs

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“From the American People”

The American people have never wavered in their support for those in need, both at home and abroad. Americans privately gave \$373 billion of their own money to charities in the 2015 tax year¹—more than the total government expenditures of South Korea,² Sweden,³ or Mexico,⁴ respectively. These private donations include more than \$15 billion⁵ for international organizations that respond to disasters or promote development, not to mention countless volunteer hours from Americans around the world. Importantly, though, these efforts must be built on a foundation of accountability—no one would likely support a cause without clear direction, give to an organization that burns money on overhead costs, or like to watch their money wasted. Transparent data helps inform people on the uses of their money and the results of their work. Yet when it comes to the government, the necessary accountability remains lacking. Tax dollars are collected from Americans and sent abroad to advance causes that might sound good to a few government employees in Washington, D.C., but may not enjoy the support of the taxpayers compelled to provide the funds.

The government’s overseas presence has grown vast and increasingly unmanageable. Attempts at transparency can be overwhelmed by the tax dollars put towards the government’s foreign assistance programs (\$48 billion in 2015 alone⁶), a number that has made oversight unapproachable for the many Americans that do not have the time on their hands to sift through reams of grant data or hundreds of thousands of complex government grants and transactions. The importance of foreign assistance accountability has also been hampered by leaders who try to downplay the size of the government’s foreign assistance apparatus. This dismissal tactic portrays valid concerns with foreign assistance as somehow overplayed because foreign assistance only takes up “...about one percent of our entire federal budget,” as President Obama has argued.⁷

Only in Washington could \$48 billion be dismissed as an inconsequentially small number.

That amount represents the average tax liability of 6.6 million Americans⁸—about one-and-a-half times the population of Kentucky.

As a result of these dynamics, taxpayers have lost billions to waste overseas. American taxpayers see their priorities and needs neglected at home while their tax dollars fund solutions to some of the same problems abroad. **By its end, this series will identify over \$3 billion in wasteful spending** throughout these programs abroad. Yet this is just the tip of the iceberg when it comes to foreign assistance.

“Only in Washington could \$48 billion be dismissed as an inconsequentially small number. That amount represents the average tax liability of 6.6 million Americans—which is about one-and-a-half times the population of Kentucky.”

The United States Agency for International Development (USAID) uses the slogan “From the American People.” While the meaning behind the slogan is technically true—the programs are paid for with taxpayer dollars—the all-too-frequent reality has been that the benefits are more from the American government than its people, with too great of a disconnect between the labyrinth of government assistance programs and the taxpayers that provide the funds. But this series is intended to close that gap—to bring further exposure to the waste within our foreign assistance spending; to equip the American taxpayer with examples of how their money is being used; to offer possible solutions; and, perhaps most importantly, to narrow the accountability gap between the American taxpayer and their representatives who have searched frantically for excuses to protect the status quo when it comes to government spending abroad.

* * *

Foreign Infrastructure Development

The crumbling of America's infrastructure has been well documented. From newspaper stories⁹ to *60 Minutes* special reports¹⁰ to TV documentaries,¹¹ there is no shortage of concern for the state of the country's roads, bridges, dams, and other critical infrastructure. Yet despite recent passage of a five-year highway bill,¹² Congress has still not addressed many of the long-term questions of how to fund America's infrastructure needs.



On the other hand, Congress has shown little concern about devoting significant amounts of money to similar infrastructure and related projects overseas. As Americans sit in standstill traffic on overloaded roads and cross crumbling bridges, losing hours of their day and in some cases risking their safety, it is necessary to ask whether foreign infrastructure projects should take priority over the needs of American communities here at home.

REHABILITATING AFGHAN DIRT ROADS AT GREAT EXPENSE WITH LITTLE SUCCESS

**USAID STRATEGIC
PROVINCIAL ROADS,
SOUTHERN & EASTERN** **\$326,515,156¹³**

Startlingly, American taxpayers have already paid more to rebuild Afghanistan than it cost to rebuild all of Europe after World War II, according to calculations by the Special Inspector General for Afghanistan Reconstruction (SIGAR).¹⁴ Yet there seems to be little hope that the considerable investment in Afghanistan will produce anything close to the returns of the Marshall Plan. Instead, millions upon millions of taxpayer dollars have been squandered in

Afghanistan, leaving American taxpayers to pay for things like exorbitantly expensive roads—roads that aren't even paved and that remain incomplete—while roads and bridges back in the U.S. rot and crumble.

One project that exemplifies this waste is USAID's *Strategic Provincial Roads—Southern and Eastern Afghanistan* project (SPR). With a staggering nine-figure budget, this transportation project was expected to rehabilitate between 1,500 and 2,000 kilometers of roads to an all-weather gravel standard, according to USAID's Final Report on the project.¹⁵ However, the final total of completed roads only reached 159 kilometers, or almost \$1.7 million per kilometer (more than \$269 million had been spent on the SPR program at that time).¹⁶ For comparison, this equals more than \$2.7 million per *mile* of road completed.

The Final Report's authors concluded that **"...we would be stretched to justify nearly \$1.7 million per [kilometer]. Few that we interviewed disagreed [emphasis added]."**¹⁷ The shortcomings of this program were attributed to a multitude of factors, but a few examples stand out.

First, the program put \$32 million into community outreach and development functions to help lay the groundwork for road construction. According to the Final Report, the small grants were not "...dedicated to job and enterprise creation" and, not surprisingly, the small grants "...produced few results."¹⁸

For its part, SIGAR audited the expenses of the SPR program in 2014 and found other problems. For example, SIGAR reported that a former Regional Coordinator for the community outreach effort stole at least \$75,000—which was billed as three separate "Goats Distribution" costs—and the contractor concluded the funds (and other questionable funds linked to the individual) were unrecoverable since the individual had subsequently disappeared.¹⁹ SIGAR also recommended that \$3.2 million be returned to USAID, observing that photographs of one road (Road #11) seemed to indicate that road had not actually been completed according to program specifications.

Of note, since the release of USAID's Final Report in 2011, additional grants have brought total spending on the SPR program to more than \$326 million.²⁰



Taxpayers spent \$3.2 million on this Afghan dirt road. SIGAR maintained that the road did not meet grant specifications and recommended the money be returned to USAID (SIGAR 14-39 Financial Audit)

MASSIVE TAXPAYER EXPENSE FOR A HIGHWAY IN AFGHANISTAN

USAID GARDEZ-KHOST HIGHWAY

\$233,000,000²¹

SUPPORT FOR AFGHANISTAN ROAD MAINTENANCE

\$22,300,000²²

Last December, after years of overruns and more than \$100 million over budget, USAID completed and Afghanistan inaugurated the Gardez-Khost Highway, a 63-mile road connecting the two cities in Eastern Afghanistan near the Pakistan border—part of an American effort to link the rural regions to Afghanistan's central government in Kabul.²³ The highway was funded by American taxpayers at a cost of \$233 million, or more than \$3.6 million per mile.²⁴ Yet the final total does not capture the full story of the highway's construction, which started in 2008 at an initial budget of \$69 million.²⁵

A *New York Times* analysis of the project found that tens of millions of dollars went toward security rather than construction and that subcontractors relied on a mysterious Afghan figure named "Mr. Arafat" for security at a cost of \$1 million per year.²⁶ The same report found that some American officials came to suspect that Mr. Arafat was staging attacks to blackmail for more

money, and that payoffs he made to insurgents in the area were being funneled to the terrorist Haqqani network.²⁷ Security contractors, meanwhile, would seemingly only show up for pay day, though on paper they were working every day.²⁸

Notably, USAID abandoned new road projects in Afghanistan in 2012 after determining that Afghanistan's government did not have adequate maintenance capacity, though this decision did not impact construction of the Gardez-Khost Highway.²⁹ With Afghanistan seemingly unable to provide the maintenance necessary to make this and many other roads last, USAID announced in 2014 that they were making a three-year, \$22.3 million commitment to supporting Afghanistan's Ministry of Public Works in maintaining Afghan roads.³⁰ Yet the concern for whether any of these expensive projects will survive without the U.S. and others paying for maintenance is something that may not sit well with taxpayers.



Gardez-Khost Highway under construction (USAID)

TAXPAYER FUN FACT

Since 2002, the U.S. has spent \$2.2 billion on road construction and maintenance in Afghanistan. The Afghan government, meanwhile, has a \$100 million annual road maintenance shortfall.

SIGAR Quarterly Report, April 30, 2016

AFGHANISTAN'S INFAMOUS \$43 MILLION NATURAL GAS STATION

DEPARTMENT OF DEFENSE **\$43,000,000**³¹

Last year, the Special Inspector General for Afghanistan Reconstruction (SIGAR) singled out a \$43 million compressed natural gas (CNG) filling station for particular scorn.³² According to SIGAR's findings, the project was never subjected to a feasibility study by the Department of Defense (DOD) before approval, and that such a study would have found that Afghanistan "[l]acks the natural gas transmission and local distribution infrastructure necessary to support a viable market for CNG vehicles."³³ In fact, the entire project was based on flawed assumptions and bad math, with the cost of converting a vehicle to CNG outpacing total annual income for the average Afghan. The U.S. government, then, paid to convert at least 120 vehicles to CNG. SIGAR noted that DOD simply did not respond to inquiries regarding these vehicle conversions, which were discovered on a contractor's website.

Unfortunately, this project is emblematic of government waste found in Afghanistan. The use of taxpayer funds in Afghanistan should be subjected to tighter controls, while taxpayers should ask whether pouring such vast amounts of money into Afghanistan is justified when controls are so difficult to maintain there.

IMPROVING THE AFGHAN NATIONAL ARMY LEADS TO ALMOST \$400M IN LOST EQUIPMENT

DEPT. OF DEFENSE **\$370,000,000**³⁴

DEPT. OF DEFENSE **\$29,000,000**³⁵

Attempts to expand the capacity of the Afghan National Army (ANA) resulted in the loss of hundreds of millions of dollars in vehicle parts and heavy equipment. The first example comes from an effort by the Department of Defense (DOD) to create an arm of ANA that would be equivalent to the U.S. Army Corps of Engineers. The program launched the National Engineering Brigade (NEB) of the ANA, but the NEB was hindered by a lack of equipment for training and use, according to SIGAR. In response, DOD provided \$29 million worth of equipment to the Afghan Central Supply Depot (supplier of the

ANA), yet the equipment seemingly disappeared before it could be delivered to the NEB.³⁶ Meanwhile, the end result for the NEB, according to SIGAR, is that it still cannot operate independently.

This is sadly unsurprising considering that the ANA has had these problems before, as another SIGAR analysis found that about \$370 million in spare vehicle parts purchased for the ANA since 2004 cannot be accounted for³⁷—a staggering figure that should raise serious questions for taxpayers.



INCREASING PUBLIC AWARENESS OF ELECTRICITY IN AFGHANISTAN

**USAID, DABS PUBLIC
AWARENESS CAMPAIGN**

\$1,756,905³⁸

In rebuilding Afghanistan, the United States has put substantial amounts of money into expanding the capacity of the electricity grid. The Special Inspector General for Afghanistan Reconstruction (SIGAR) recently reported that USAID has devoted more than \$2.7 billion to the sector since 2002,³⁹ while the Department of Defense has spent \$183 million on power projects and more than \$403 million through an infrastructure fund jointly managed with the State Department.⁴⁰

With billions already spent on electricity, USAID took the additional step of devoting \$1.7 million to a two-year public awareness campaign⁴¹ on behalf of Da Afghanistan Breshna Sherkat (DABS), which is the national utility of Afghanistan. Based on grantee documents, the program focused on communicating through multiple platforms that "...beneficiaries must perceive the electrification objective as their own..." and that "...the project is good for Afghanistan's future and will not succeed without

people's support.”⁴² Elements of the campaign, according to the grant contract, include explaining the “[b]enefits of power for economic growth,” safety education—so that Afghans will know the risks associated with climbing towers or hanging things on wires—and emphasizing that “Afghans will not receive power if they do not pay for it.”⁴³

SUPPORT TO GEORGIAN OIL AND GAS CORPORATION FOR GAS PIPELINES

USAID GEORGIA PIPELINE PROJECTS

\$78,000,000⁴⁴

In 2010, USAID made a \$78 million commitment to the state-owned Georgian Oil and Gas Corporation to help expand the country's gas pipeline capacity. The program was part of USAID's larger energy strategy in Georgia, with the goal of improving availability of gas in households and to provide economic development.⁴⁵ The pipeline project replaced aging pipeline infrastructure going back to the Soviet era and connected industries with gas.⁴⁶

At about the same time that this project was wrapping up in Georgia, far across the Atlantic Ocean back in New York City, eight people were killed and many more injured when a section of gas line installed way back in 1887 exploded, leveling two apartment buildings.⁴⁷ While public utilities in the U.S. work to replace aging gas lines—a cost they pass on to customers—those same customers are getting hit a second time when their tax dollars are used to fix gas lines in other countries. Taxpayers would be right to wonder whether improving foreign gas infrastructure should be a high priority given the effort and cost to improve the same infrastructure at home.

IMPROVING HIGHWAY SAFETY IN BURMA

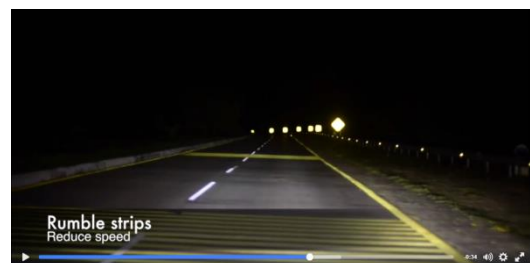
USAID ROAD TO MANDALAY HIGHWAY IMPROVEMENT PROJECT

\$1,000,000⁴⁸

With approximately 4 million miles of roads in the United States,⁴⁹ the quest for improved road safety is (quite literally) a moving target. For every road that is expanded or improved, it seems another falls in need of maintenance. But while

Americans grapple with difficult funding questions of how to address highway safety, the federal government is working to improve safety beyond America's highways.

For example, USAID spent \$1 million on a highway safety demonstration project in Burma.⁵⁰ Previously under sanctions,⁵¹ Burma built the Yangon-Mandalay Highway without access to international expertise. Because the road fell short of international standards it presents many hazards for travelers in the region. As U.S. relations with Burma improved in recent years, USAID conducted a demonstration project on one 10km section of the road to provide a model for future improvements.⁵² Among the improvements to the road under the demonstration project were rumble strips, concrete barrier reflectors, reflective paint, and reflective signs.



A video posted on the Facebook page of US Embassy Rangoon takes viewers on a drive through the highway improvements (facebook.com/usembassy.rangoon)

Moving forward, however, the project will face numerous challenges, such as the central government's ability to maintain the road improvements—particularly the already-degrading reflective paint and rumble strips on the road surface, as identified by USAID in their End of Project Report.⁵³ The report notes the highway's “[d]esign and construction deficiencies” such as “improper horizontal and vertical alignments, poor placement of Jersey barriers and guardrails, uneven pavement surfaces, and overly narrow, poorly aligned bridges.” Project documents indicate that Burma's Ministry of Construction “is encouraged” to implement similar improvements over the rest of the highway. Considering that it required \$1 million to improve a 10km stretch of the 621km highway, it is not clear whether the Ministry of Construction would take such action on their own, or if they would use the money to make structural improvements if they pursued

improvements. Either way, it is difficult to see how American taxpayers obtained a clear benefit from the project when weighed against domestic road projects that lack funding.

MOTORCYCLE HELMET GIVEAWAYS AND PUBLIC SERVICE ANNOUNCEMENTS

**USAID GRANTS FOR HEAD
SAFE, HELMET ON**

\$1,780,778⁵⁴

Motorcycle helmet laws in the United States are a patchwork from state to state—some states require universal use, while others do not have a helmet law at all.⁵⁵ In Cambodia, meanwhile, motorcycle drivers are required to wear helmets but passengers were not until a recent change in the law.^{56 57} In support of motorcycle helmets in Cambodia, USAID, as well as the Centers for Disease Control and Prevention (CDC), partnered with the Asia Injury Prevention Foundation (AIP) to support the “Head Safe, Helmet On” program.

One way that the “Head Safe, Helmet On” program sought to achieve increased helmet use: giving away motorcycle helmets.⁵⁸ In 2014, prior to the change in Cambodia’s helmet law, AIP launched the program with a helmet handover ceremony, providing over 6,600 motorcycle helmets to Cambodian young people.⁵⁹

As Cambodia moved toward implementing its new helmet law, which requires passengers and children to wear helmets, the program shifted into public awareness—most notably through a TV and radio campaign reinforcing helmet use, produced by AIP and funded in part by American taxpayers.⁶⁰ The TV public service announcement⁶¹ features a family riding a motorcycle—with only the driver wearing a helmet—that find themselves accosted by the ghosts of other motorcyclists who died because they did not wear helmets. The ghosts then remind them about Cambodia’s new helmet law and give helmets to the passengers.

The legacy of this taxpayer-boostered effort to push foreign countries to adopt mandatory helmet laws may prove to be mixed. The *Cambodia Times* reported that, in response to the new law, many Cambodians are simply buying the cheapest helmets they can find.⁶² These cheap helmets, according to a consultant quoted in the

article, are “like not wearing a helmet at all[.]”⁶³ The same article also quotes a representative of AIP—an entity that pushed for the new law—observing the lack of a helmet testing lab in Cambodia, with the estimated cost for constructing a new lab estimated at \$500,000 to \$700,000.⁶⁴ Taxpayers back in America will therefore have to guard against continued follow-on costs in support of this foreign motorcycle helmet law they already paid to promote.



Stills from the taxpayer-funded PSA promoting motorcycle helmet use in Cambodia (with English subtitles) (YouTube)

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Notes:

- Cited websites accessible as of January 4, 2017;
- Grant awards referenced can be viewed by Award ID number at <http://www.USASpending.gov> unless otherwise indicated.

¹ Data from Charity Navigator:

<http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=42#.Vz8WDYQrKUK>

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³¹ DOD's COMPRESSED NATURAL GAS FILLING STATION IN AFGHANISTAN: AN ILL-CONCEIVED \$43 MILLION PROJECT; SIGAR; October 2015

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³³ *ibid*

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³⁸ AID-306-C-14-00003

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⁶³ *ibid*

⁶⁴ *ibid*